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DECLARATION OF

CONDITIONS, RESTRICTIONS,

EASEMENTS AND CHARGES

AFFECTING THE REAL PROPERTY KNOWN

AS

SILVER PONDS

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of
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as
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DECLARATION

of

**Conditions, Covenants, Restrictions, Easements and Charges
Affecting the Real Property known as**

SILVER PONDS

THIS DECLARATION is made by Silver Ponds Corporation, a Colorado corporation ("Declarant") and Camp Properties, a general partnership ("Camp").

RECITALS:

A. Camp owns the real property located in El Paso County, Colorado that is more particularly described on Exhibit A attached hereto and made a part hereof, which real property has been platted into lots in a planned community known as Silver Ponds (the "Property"). Camp intends to convey the Property to Declarant. Declarant shall be the Declarant for all purposes of these Covenants where the term "Declarant" is used.

B. Declarant and Camp desire to create a planned community on the Property pursuant to the Colorado Common Interest Ownership Act, Colorado Revised Statutes 38-33.3-101 through 38-33.3-319 (as the same may be amended from time to time (the "Act")).

C. Declarant and Camp desire to enhance and protect the quality and value of the common interest community and to provide for the operation and maintenance of the common elements thereof.

D. Declarant and Camp deem it necessary and desirable to subject the Property to the covenants, conditions, restriction, reservations, easements, assessments, charges and liens set forth below, which shall burden and benefit Declarant, all other parties having any right, title or interest in the Property, or any portion thereof, and their respective successors, assigns, heirs, devisees and personal representatives.

E. Declarant shall form a nonprofit corporation to (i) manage, operate and maintain the planned community's common elements; (ii) administer and enforce the covenants, conditions, restrictions, reservations and easements created hereby; and (iii) levy, collect and enforce the assessments, charges and liens imposed pursuant hereto.

NOW, THEREFORE, Declarant and Camp declare that the Property is a Planned Community (as that term is defined in the Act) and shall be held, transferred, sold, conveyed and occupied subject to the conditions, covenants, restrictions, easements, charges and liens ("Covenants") hereinafter set forth.

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ARTICLE I

COVENANTS TO PRESERVE THE RESIDENTIAL CHARACTER AND QUALITY OF PORTIONS OF THE PLANNED COMMUNITY

Section 101. Single Family Residential Use of Residential Lots. All Residential Lots in the Planned Community shall be used exclusively for private single family residential purposes. No dwelling erected or maintained on a Residential Lot within the Planned Community shall be used or occupied for any purpose other than for a single-family dwelling. No business or commercial use or activity shall be carried on or within any Residential Lot, except as provided in Section 108 hereof and except for home occupation businesses allowed under applicable zoning regulations pertaining to the Property.

Section 102. Single Family Residential Construction on Residential Lots. No Structure shall be erected on a Residential Lot within the Planned Community except single-family dwellings and those Accessory Buildings and accessory structures which have been approved by Declarant. No more than one dwelling may be erected on any Residential Lot. No Structure other than a dwelling, no Accessory Building, other than a guest house or servants' quarters, no trailer, tent, camper or other similar or dissimilar temporary quarters may be used for living purposes. All Accessory Buildings and Structures must be compatible and in harmony with the dwelling on the Residential Lot, which compatibility and harmony shall include compatibility of building materials, color, design and appearance.

Section 103. Prohibited Temporary Structures. Except as permitted in Section 108, temporary living or camping quarters or other temporary Structures shall not be permitted on any Lot at any time. Tents and treehouses shall not be permitted on any Residential Lot without the permission of Declarant and in any event shall not be visible from any street or adjoining property and shall not be used for habitation.

Section 104. New Construction. All construction shall be new. Declarant may in limited cases permit use of used materials such as antique items. Mobile homes, modular homes and other similar types of buildings that are constructed elsewhere and moved onto a Lot are prohibited.

Section 105. Building Materials. No building materials shall be stored on any Residential Lot except temporarily during continuous construction of a Structure or its alteration or improvement, unless enclosed within a building so as not to be visible from any neighboring property or adjacent streets.

Section 106. No Construction Occupancy. A Structure shall not be occupied in the course of original construction until substantially completed and until a final inspection has been performed and approved by Regional Building Department and other necessary governmental authorities. In the case of a Commercial Lot, occupancy shall not be permitted until a certificate of occupancy is issued by Regional Building Department.

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Section 107. Completion of Construction. All work of construction shall be prosecuted diligently and continuously from the time of commencement until fully completed. The exterior of all buildings or other Structures must be completed within one (1) year after the commencement of construction except where such completion is impossible or would result in hardship due to strikes, fires, national emergency or natural calamities. If not so completed, or if construction shall cease for a period of sixty (60) days without written permission of Declarant, the unfinished Structure or unfinished portion thereof shall be deemed a nuisance and may forthwith be removed by Declarant at the cost of the Owner and/or such failure shall be deemed a breach of this Declaration.

Section 108. Temporary Structures; Model Homes. Temporary Structures, including without limitation, temporary parking facilities, signs and trailers, for use in connection with construction within the Planned Community or in connection with sales of new homes on Residential Lots may be erected or maintained in the Planned Community by Declarant and those authorized by Declarant. Model homes may be used and exhibited by Declarant and those authorized by Declarant. The appearance and placement of temporary buildings permitted for construction or sales purposes must be approved by Declarant. Such temporary buildings and trailers shall be promptly removed when no longer used for their designed purposes.

Section 109. Construction Debris. When construction commences on a Lot, a trash container shall be provided, properly used and maintained by the Owner of the Lot. During the progress of construction, the Owner of a Lot shall use his best efforts to ensure that the Lot is kept free of debris and trash, all of which shall be deposited in the trash container. The Owner of the Lot shall use his best efforts to ensure that no construction materials, debris or trash shall be allowed on the property of others and any materials, trash or debris blown off the Lot shall be promptly cleaned up by the Owner.

Section 110. Easements; Tracts A and B; Recreation Easement.

a. There are hereby reserved to Declarant, its successors and assigns, perpetual, alienable, divisible, and releasable easements and the right from time to time to grant such easements to others over, under, in and across (i) the Road Easement, (ii) each of the ten foot (10') strips along and adjoining the side boundary lines of each Lot and (iii) each of the ten foot (10') strips along and adjoining the rear boundary lines of each Lot for use of all or part of such areas or lines for transmission of electric current or impulses or electronic signals (including cable television), for heat and fuel lines, for water lines, for utility lines, for drainage, and for other similar or dissimilar facilities and purposes, and for any one or more of such purposes.

b. Owners of Lots hereby acknowledge and agree that each such Lot is subject to a perpetual, alienable and non-divisible private road easement for vehicular and pedestrian ingress and egress purposes which private road easement is for the benefit of all of the Owners within the Planned Community and their guests, agents and invitees (the "Road Easement"). The Road Easement shall include all roads as shown on the Plat. The Road Easement shall be appurtenant to the ownership of each Lot in the Planned Community, and shall pass with title to the Lot even if no specific reference is made to the Road Easement. Any lien or encumbrance on a Lot shall include the appurtenant rights of the Owner of the Lot in the Road Easement even if no specific reference

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is made to the Road Easement in the document creating the lien or encumbrance, and upon any foreclosure of a lien or encumbrance on a Lot, the title acquired through such foreclosure shall include all appurtenant rights associated with the Lot to the Road Easement. The rights of the Owners to the use of the Road Easement shall not be severable from the title and ownership of a Lot. The Road Easement shall be for the purpose of ingress, egress and utilities to each Lot. The Association is hereby vested with the duty and power to control the use of and to maintain the Road Easement. The Association shall not have the power to deny use of the Road Easement to the Owner of a Lot, but the Association shall have the power to adopt and amend rules and regulations concerning the use of the Road Easement. No Structures, planting, landscaping or other materials shall be placed or permitted to remain on or in the Road Easement which may interfere with its use thereof for vehicular and pedestrian ingress and egress and utility purposes. The Association and the Declarant are also hereby granted a construction and maintenance easement on, in, over and across the Road Easement for purposes of installing and maintaining all road improvements within the Road Easement. The Association shall also maintain liability insurance for its sole benefit insuring against any claims for personal injury or property damage related to the use of the Road Easement in such amounts and with such reputable insurance companies as the Association shall determine from time to time. Owners shall be responsible for obtaining their own insurance with respect to the Road Easement.

c. There shall be depicted on the Plat a one hundred year flood plain that affects certain Lots. No fences or Structures may be constructed, erected or maintained in the one hundred year flood plain; provided that the Association in connection with its maintenance obligations related to Tracts A and B shall have the authority, but not the obligation, to conduct grading within the one hundred year flood plain as necessary or advisable in connection with the maintenance of Tracts A and B. Access to Tracts A and B shall be permitted to the Association and the Owners only through the places of intersection of Tracts A and B with the Road Easement and not through the Lots adjacent to Tracts A and B; provided that the Association and emergency services (including fire, police, sheriff and ambulance) shall have the right to access Tracts A and B through a Lot in the event of an emergency. There is hereby created a recreational easement for the use of the area adjacent to Tracts A and B that is located in the one hundred year flood plain on the Lots adjacent to Tracts A and B (the "Recreation Easement"). The Recreation Easement may only be used by the Owners and their guests for hiking and equestrian purposes in connection with the use of Tracts A and B. Fires, camping and motor vehicles are prohibited in Tracts A and B and in the Recreation Easement; provided that motor vehicles may be permitted in Tracts A and B and the Recreation Easement by the Association for maintenance purposes and motor vehicle access by emergency vehicles shall be permitted in Tracts A and B and the Recreation Easement. The use of Tracts A and B and the Recreation Easement shall also be subject to rules and regulations adopted and amended by the Association concerning the use of Tracts A and B and the Recreation Easement. The Association shall have the right to deny the use of Tracts A and B and the Recreation Easement to Owners or their guests who abuse the privilege of the use of Tracts A and B and the Recreation Easement. The Association shall maintain liability insurance for its sole benefit insuring against any claims for personal injury or property damage related to the use of Tracts A and B and the Recreation Easement in such amounts and with such reputable insurance companies as the Association shall determine from time to time. Owners shall be responsible for obtaining their own insurance with

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respect to the Recreation Easement. The right and privilege of an Owner to use Tracts A and B and the Recreation Easement shall be appurtenant to the ownership of each Lot in the Planned Community, and shall pass with title to the Lot even if no specific reference is made to such rights and privileges. Any lien or encumbrance on a Lot shall include the appurtenant rights and privileges of the Owner of the Lot to use Tracts A and B and the Recreation Easement even if no specific reference is made to such rights and privileges in the document creating the lien or encumbrance, and upon any foreclosure of a lien or encumbrance on a Lot, the title acquired through such foreclosure shall include all appurtenant rights and privileges associated with the Lot to use Tracts A and B and the Recreation Easement. The rights and privileges of the Owners to the use of Tracts A and B and the Recreation Easement shall not be severable from the title and ownership of a Lot.

d. Easements in addition to those above described may have been or may hereafter be granted, vacated, modified or amended by duly recorded conveyance. Those easements affecting the Property at the time of the recordation of the Plat are as reflected on the Plat. No Structures, planting or other materials shall be placed or permitted to remain on or in the easements which may damage or interfere with the installation and maintenance of the utilities, or which may change the direction or flow of drainage channels in the easements. The easements that are on each Lot and all improvements on or in the easements shall be continuously maintained by the Owner of such Lot, except for those improvements for which a public authority, utility company, any special district or the Association is responsible. In addition to the easements shown on the Plat and described in this Declaration, the Property is subject to those easements described in Exhibit B hereto and shall also be encumbered by any easements described in any approved Development Plan for the Property.

e. Neither the Road Easement, the Recreation Easement nor Tracts A and B are dedicated for public purposes and are intended solely for the use of the Owners and the guests and invitees of the Owners and for emergency services, including fire, police, sheriff and ambulance.

Section 111. Sign Easements. The Owners of each of the Commercial Lots acknowledge and agree that each of the Commercial Lots may be hereafter encumbered with a sign easement in favor of the Declarant and/or the Association for purposes of the installation, maintenance and repair of a subdivision sign and related landscaping. The sign and related landscaping shall be originally installed by the Declarant, in a manner acceptable to Declarant, in Declarant's sole discretion, and such sign and landscaping shall be installed in such locations as Declarant may determine, in Declarant's sole discretion. From and after the original installation by Declarant, each Owner of such affected Lot acknowledges and agrees that the Association shall have the right to enter upon the affected Lot for the purposes of maintaining, replacing or repairing any such sign and landscape.

Section 112. Underground Utilities. All utilities, including, electrical, telephone and cable television service, except lighting standards and customary service devices for access, control, or use of utilities, shall be installed underground.

Section 113. Garages. The Structures on each Residential Lot shall include an attached fully enclosed garage for at least two cars or such equivalent garage arrangements as may be approved by Declarant.

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Section 114. Setbacks. Building setbacks must comply with the requirements of El Paso County, Colorado for front, rear and side Lot Lines, as of the date of commencement of construction as contained in the Development Plan or the zoning regulations of the County. Any stables or corrals shall be set back a minimum of 50 feet from any Lot Line. Any variances from the setback requirements shall require the approval of the County and the Declarant or the Architectural Control Committee after its formation.

Section 115. Compliance with Building Codes. All construction must conform to the building codes, zoning codes and subdivision regulations of the County and to the Development Plan, which regulations may vary from the provisions of these Covenants; provided, however, if these Covenants are more restrictive than such governmental codes and regulations, then the more restrictive provisions of these Covenants shall control. Any violation of the Development Plan or of any building codes, zoning codes and subdivision regulations of the County or any laws affecting the Property by any governmental authority having jurisdiction over the Property shall be deemed a violation of these Covenants.

Section 116. Minimum Floor Area. Each dwelling Structure on a Residential Lot shall conform to the following minimum sizes for the finished area of the dwelling Structure, exclusive of the garage, porches, chimneys and decks:

- a) Ranch or single level: 1800 square feet on the main level.
- b) Two stories: 2000 square feet total for the two stories.
- c) More than two stories and split level: 2000 square feet total for all above ground levels.

The determination of the Declarant, or the Architectural Control Committee after its appointment, shall be conclusive as to whether the Structure is in compliance with the minimum size requirements.

Section 117. Height. The maximum height of Structures on Residential Lots shall be 30 feet and the maximum height of Structures on the Commercial Lots shall be 35 feet. The height of the Structure shall be determined in accordance with any applicable regulations for determining height as established by the County, or if there are no such regulations, the height shall be measured from the average elevation of the natural contours of the land surrounding the foundation of the Structure.

Section 118. General Architectural Standards. Architectural standards are established to the end that the Planned Community may benefit from the natural advantages of its particular location. While the standards for architectural style are flexible, compatibility with the informal natural environment is required. All Structures must be designed to fit the natural contours of the Lot. All Structures shall be designed and all plans signed by a registered architect in the State of Colorado or by a qualified designer approved by Declarant. Declarant shall have the right and authority to establish and amend specific architectural and building standards from time to time.

Section 119. Fences. The height, location and material of all fences, animal pens, dog runs and other similar items must be approved by the Declarant. Chain link or similar wire or wire mesh fencing shall not be allowed as the primary fencing material on Residential Lots. Barbed wire fences

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are prohibited. The total fencing of front yards may be permitted on Residential Lots subject to approval of the fencing by the Declarant, which may include limitations on the type of materials, the type of fence and the height of the fence. The Declarant shall have the right to adopt and amend rules and regulations concerning fencing. No fences shall be located in the Road Easement nor shall fences be permitted in the one hundred year flood plain. The maximum permitted area on a Residential Lot for purposes of animal containment or within which animals are located shall be one-half (1/2) acre.

Section 120. Landscaping. Within six (6) months after completion of a Structure on a Lot and transfer of same to, or occupancy by, an initial Owner, all proposed yards and open spaces, except as prevented by subsequent construction activities, shall be landscaped and thereafter maintained in accordance with a landscape plan approved by Declarant. Each Owner as a part of the landscaping plan shall be required to plant and maintain a minimum of six ponderosa pines that are at least twelve feet in height. If weather conditions will not permit the timely installation of such landscaping, the applicable Owner shall complete the installation of same as soon as practicable. Landscape should include areas of natural vegetation, and preservation of existing trees, scrub oak and other natural vegetation is desired. No existing trees, surface boulders, or scrub oak shall be removed from any Lot unless required by construction activity or unless approved by Declarant. The use of gravel, small rocks, and paving as primary landscape materials is not desirable. The combined size of irrigated lawns and gardens on a Lot shall not exceed 4000 square feet.

Section 121. Aerials, Solar Devices and Antennas. Except with the prior written approval of the Declarant (which approval may be granted or withheld in the sole discretion of the Declarant), no aerial, solar device, satellite dish or antenna for reception or transmission of radio or television or other electronic signals shall be maintained on the roof of any Structure on a Lot nor shall they be maintained at any location on a Lot so as to be visible from neighboring property or the Road Easement. The maximum height of such devices shall not exceed the maximum heights for Structures permitted on the Lot. The Declarant shall have the right to adopt and amend rules and regulations permitting the erection and maintenance of electronic receiving dishes of not more than 24" in diameter on a Structure without being screened from view, provided that such devices shall not be mounted on the roof of a Structure and shall not exceed the height of the Structure.

Section 122. Maintenance of Structures. Each Owner shall maintain the exterior of the dwelling, any Accessory Building, and all other Structures, lawns and landscaping, walks and driveways, in good condition and shall cause them to be repaired as the effects of damage or deterioration become apparent. Exterior building surfaces and trim shall be repainted periodically and before the surfacing becomes weather-beaten or worn off. Periodic exterior maintenance also includes repair and maintenance of gutters, down spouts, roofs, paving, lawn, shrubs, trees, other landscape material, fences, signage, mail boxes and outdoor lighting. All lawns, trees and landscaping shall be mowed, watered and trimmed as necessary to avoid becoming unsightly or a nuisance.

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Section 123. Destroyed or Damaged Structure. Any Structure that is destroyed in whole or in part by fire, windstorm or for any other cause or act of God must be restored or rebuilt; all debris must be removed and the Lot promptly restored to a sightly condition. Rebuilding or restoration shall be completed with reasonable promptness and in any event within six (6) months. If the removal of the debris and such rebuilding or restoration is not timely completed, then the damaged Structure shall be deemed a nuisance and the Association or the Declarant shall have the right to remove the debris and remove the Structure at the expense of the Owner of the Lot.

Section 124. No Unsightly Condition. Each Owner shall prevent the development of any unclean, unsightly or unkept conditions of buildings or grounds on such Lot which shall tend to substantially decrease the beauty of the neighborhood as a whole or in the specific area.

Section 125. Garage Doors. Garage doors on Residential Lots shall be kept closed except when being used to permit ingress or egress to or from the garage.

Section 126. Maintenance Equipment. All maintenance equipment, including yard and garden equipment, kept on a Residential Lot shall be stored in an enclosed Structure or otherwise adequately screened so as not to be visible from neighboring property or adjoining streets. The Declarant shall have the right to grant variances from the requirements of this Section 126, which variances may be granted or withheld in the sole discretion of the Declarant.

Section 127. Clothes Lines. All outdoor clothes poles, clothes lines and other facilities for drying or airing of clothing or household goods located on Residential Lots shall be placed or screened by fence or shrubbery so as not to be visible from neighboring property or adjacent streets. The Declarant shall have the right to grant variances from the requirements of this Section 127, which variances may be granted or withheld in the sole discretion of the Declarant.

Section 128. Garbage and Trash: Stacking of Firewood. No ashes, trash, rubbish, garbage, grass or shrub clippings, scrap material, or other refuse, or receptacles or containers therefore, shall be stored, accumulated or deposited outside or so as to be visible from any neighboring property or street, except during refuse collection days. Except with the prior written permission of the Declarant (which permission may be granted or withheld in the sole discretion of the Declarant), no firewood shall be stacked, accumulated or stored on a Residential Lot so as to be visible from any neighboring property or street.

Section 129. No Offensive Activity. No noxious or offensive activity shall be carried on upon any Lot nor anything done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to the neighborhood. No offensive or hazardous activities shall be permitted on any Lot or in any living unit. No annoying lights, sound or odors shall be permitted to emanate from any property.

Section 130. No Oil Wells. No derrick or other Structure designed for use in or used for boring or drilling for oil or natural gas shall be permitted upon or above the surface of any Lot, nor

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shall any oil, natural gas, petroleum, asphaltum or other hydrocarbon substances be produced from any well located upon, in or under said property.

Section 131. Weed Control. All yards and open spaces and the entire area of every Lot on which no Structure has been constructed, shall be kept free from plants or weeds infected with noxious insects or plant diseases and from weeds which in the opinion of Declarant are unsightly or likely to cause the spread of infection or weeds to neighboring property and free from brush or other growth or trash which in the opinion of Declarant causes undue danger of fire or is unsightly. In order to effect insect, weed and fire control or to remove nuisances, Declarant has the right, but not the obligation, to enter upon any Lot and to mow, cut, prune, clear and remove from the Lot brush, weeds or other unsightly growth which in the opinion of Declarant detracts from the overall beauty, setting and safety of the area, and to remove any trash.

Section 132. Soils, Grading and Maintenance. The soils within the state of Colorado consist of both expansive soils and low-density soils which may adversely affect the integrity of Structures located upon a Lot if the Structures and the Lot containing it are not properly maintained. Expansive soils contain clay minerals which have the characteristic of changing volume with the addition or subtraction of moisture, thereby resulting in swelling and/or shrinking soils, and the addition of moisture to low-density soils causes a realignment of soil grains, thereby resulting in consolidation and/or collapse of the soils.

Declarant intends to sell Lots to Owners, who may thereafter construct or have constructed Structures upon each Lot purchased. Declarant shall require the Owner to have prepared a grading plan for the Owner's Lot or Lots, which plan must be in accordance with specifications of the grading plan approved by the County and which shall be submitted to the Declarant prior to commencement of construction of a Structure, certified and stamped by a registered engineer in the State of Colorado. Each Lot shall be graded by the Owner in accordance with the approved grading plan. No change in the approved grading plan may be made without the prior written approval of the Declarant and the County, where applicable or required by the Development Plan. Anyone desiring to change the grading plan shall cause to be prepared by a professional engineer, a revised grading plan which must be submitted to the Declarant prior to the change of grading. The procedure for approving grading plans shall be the same as the procedure for approval of plans and specifications applicable to the construction of a Structure upon the Lot, as further set forth in these Covenants. Each Structure or dwelling shall be located on a Lot in such a way as to be compatible with the approved grading plan and not interfere with drainage patterns established by the grading plan. The final drainage patterns established during grading of a Lot are the sole responsibility of the Owner, and the Declarant shall not have any liability whatsoever for damage caused by improper grading or drainage upon any Lot. Each Owner shall be required to install as a minimum an 18" CMP corrugated pipe under the driveway connection to the Road Easement to allow for proper drainage under the driveway at its intersection with the Road Easement.

An Owner shall not permit the moisture content of the soil supporting the foundation and supporting the concrete slabs forming a part of the Structure to increase to an extent that would adversely affect the foundation and concrete slabs, and shall not introduce excessive water into the

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soil surrounding the Structure or the dwelling. An Owner shall maintain the grading and drainage patterns of the Lot established according to the approved grading plan authorized by the Declarant.

An Owner shall not impede or hinder in any way the water flowing on his Lot from reaching the drainage courses established for the Lot and the Property.

By virtue of the review and submittal described in this Section 132, the Declarant is in no manner certifying, guaranteeing or otherwise making any representations or warranties with respect to the adequacy, sufficiency or appropriateness of any grading plan, foundation design, drainage or other such matters applicable to the Lot. Each Owner of a Lot acknowledges and agrees that the Declarant shall have no responsibility or liability whatsoever with respect to such issues and each Owner shall be fully and solely responsible for same.

Section 133. Animals. No animal of any kind shall be permitted which in the opinion of Declarant makes an unreasonable amount of noise or odor or is a nuisance. No animals shall be kept, bred or maintained on a Residential Lot within the Planned Community for any commercial purposes. Animals shall not be permitted to roam in the Planned Community and shall only be permitted off the Lot of the Owner of the animal if on a leash. No more than two horses may be kept on any Lot; provided that no horses shall be kept or maintained on Lots 10 and 13. In addition, no more than a combined total of four dogs or cats may be kept on any Lot. Animals, other than horses, dogs and cats in the numbers specified in this section, are prohibited on any Lot. Animals prohibited include, without limitation, cattle, pigs, llamas, exotic animals and buffalo. A reasonable number of birds and fish that are permanently confined in a Structure are permitted as long as such animals are not a nuisance.

Section 134. Vehicle Parking. No boat, trailer, camper (on or off supporting vehicles), tractor, commercial vehicle, mobile home, motor home, motorcycle, any towed trailer unit, or truck shall be parked within any Residential Lot, except in a completely enclosed Structure or in a fully screened manner approved by Declarant. Commercial vehicle does not include a private passenger vehicle commonly described as a pickup. Parking of any vehicles on the Road Easement is prohibited. Except as set forth in Section 110 of these Covenants, motor vehicles are not permitted in Tracts A and B and the Recreation Easement.

Section 135. Junk Vehicles. No stripped down, wrecked, unlicensed, inoperable or junk motor vehicle or sizeable part thereof, shall be permitted to be parked on any street or on any Lot in such manner as to be visible from any neighboring property or street.

Section 136. Vehicle Maintenance. No maintenance, servicing, repair, dismantling or repainting of any type of vehicle, boat, machine or devise may be carried on any Lot except within a completely enclosed Structure which screens the sight and sound of the activity from the Road Easement and from adjoining property.

Section 137. Signs. The only signs permitted on any Lot or Structure shall be:

1. One sign of customary size for offering of the signed property for sale or for rent;

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2. One sign of customary size for identification of the occupant and address of any dwelling;
3. Such signs for sale, administration and directional purposes during development as Declarant may install or authorize;
4. Project identity and entrance signs;
5. Such signage as is permitted by any applicable sign codes of the County, and which are approved by the Declarant, may be permitted on Lots 1 and 25 for the purpose of identifying any business conducted on such Lots;
6. Such signs as may be necessary to advise of rules and regulations or to caution or warn of danger; and
7. Such signs as may be required by law.

No banners, streamers, flags, lights or other devices calculated to attract attention in aid of sale or rental shall be permitted. All permitted signs must be professionally painted, lettered, constructed and maintained.

Section 138. Lots 1 and 25. Lots 1 and 25 are not Residential Lots. Declarant and the Owners of Lots 1 and 25 hereby reserve the right to use Lots 1 and 25 for commercial and other uses as permitted in the Development Plan. Lots 1 and 25 shall be subject to the architectural review provisions of these Covenants until the Declarant appoints an Architectural Control Committee that is not controlled by the Declarant, at which time Lots 1 and 25 shall not be subject to the architectural review provisions of section 201 of this Declaration. Lots 1 and 25 shall otherwise be subject to all terms and provisions of these Covenants. The use of Lot 1 may be converted by Declarant to a Residential Lot, and if Lot 1 is converted to a Residential Lot, it shall thereafter be treated for all purposes under these Covenants as a Residential Lot.

Section 139. No Further Subdivision. The Property has been subdivided into 25 lots, of which 23 are Residential Lots and two are Commercial Lots. No further subdivision of the Residential Lots is permitted. The Commercial Lots may be subdivided with the prior written approval of the Declarant. If Lot 1 is converted to a Residential Lot, then after the conversion of Lot 1 to a Residential Lot, no further subdivision of Lot 1 shall be permitted. No Owner shall have standing to protest the subdivision of the Commercial Lots, and each Owner hereby covenants not to protest such subdivision of the Commercial Lots. If any Owner violates this covenant not to protest, then such Owner shall be liable for any damages caused to the Declarant by such protest, including any damages caused by delays to the Declarant resulting from such protest.

Section 140. Wells and Septic Systems. Pursuant to the terms and conditions set forth in the Water Decree recorded January 2, 1996 in Book 6801 Page 1171 of the El Paso County, Colorado real property records, the owner of each Residential Lot may apply for a well permit to construct a well into the Denver aquifer to service such lot. Such uses shall be limited to domestic uses, landscape irrigation not to exceed 4,000 square feet per Residential Lot, and watering of domestic animals. No more than 0.5 acre feet of water shall be withdrawn annually from each such well. Each Residential Lot shall use nonevaporative septic systems for treatment of wastewater. The

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two Commercial Lots are limited to withdrawals not to exceed 8.5 acre feet annually, combined, for domestic, commercial and landscape irrigation purposes.

ARTICLE II RESERVED RIGHTS OF THE DECLARANT

Section 201. Architectural Control by the Declarant. No Structure shall be commenced, erected, placed, moved onto a Lot, permitted to remain on any Lot or altered in any way so as to change materially its exterior appearance, except in accordance with plans, specifications and other information submitted to Declarant and approved by Declarant not more than one (1) year before start of the construction, alteration or installation. Matters which require the approval of Declarant include but are not limited to: the exterior appearance, material, color, height and location of each Structure, drive, walk, fence, mailbox, grading of site, site lighting, and the location, size and type of any landscape material including grass, ground cover, ornamental rock, shrubs and trees.

a) In granting or withholding approval Declarant shall heed the standards specified in these Covenants and shall also consider among other things: the adequacy of the materials for their intended use; the harmonization of the external appearance with the surrounding uses; and/or the degree, if any, to which the proposed Structure will cause intrusions of sound, light or other effect on neighboring sites beyond those reasonably to be expected in an area from considerate neighbors.

b) All plans, samples and other materials to be submitted to Declarant shall be submitted in duplicate, together with a fee of \$50.00 to compensate Declarant for the cost of the review of the items submitted. The submittal fee may be increased in a reasonable amount from time to time by the Declarant to reflect increases in costs of the plan review process. The minimum scale of such plans shall be 1/20th inch equals one foot. The plot plan shall show in scale the location of all buildings, drives, walks, fences and any other Structures. Structure plans shall show all exterior elevations, and shall indicate and locate on each elevation the materials to be used and designate each exterior color to be used by means of actual color samples, if requested by Declarant. Landscaping plans shall show the location of all landscaping elements, including grass, ground cover, shrubs, trees and other landscape materials to be utilized by the Owner. The size and type of all new plant materials shall be indicated.

c) A written statement of the approval or disapproval or other action by Declarant, signed by an officer of Declarant, shall establish the action of Declarant and shall protect any person relying on the statement. If Declarant does not execute such a statement within thirty (30) days after delivery of all the required materials to Declarant's principal office, the material so delivered shall stand approved for the purpose of these Covenants; but such approval shall not be deemed to permit any matter that is in violation of or contrary to an express provision of these Covenants. Declarant shall be entitled to retain one copy of all approved plans as part of Declarant's files and records.

d) Declarant shall have the right to adopt and amend guidelines concerning architectural and other building standards consistent with this Declaration.

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e) In discharging its rights and obligations hereunder, the Declarant makes no representations or warranties to the Owner or any other person or entity concerning the construction of the Structures on the Lot or the suitability of the soil on the Lot, and the Declarant shall have no liability or responsibility for defective construction, expansive soil or other similar matters.

Section 202. Variances. Declarant shall have authority to grant for a Lot a variance from the terms of one or more of the Sections of Article I of these Covenants (i) pursuant to any expressed powers of the Declarant set forth in Article I, or (ii) if not expressly provided in Article I, subject to terms and conditions established by Declarant that will not be contrary to the interests of the Owners and residents of the Planned Community where, owing to exceptional and extraordinary circumstances, literal enforcement of those Sections will result in unnecessary hardship. Following an application for a variance under Section 202(ii) above:

a) Declarant may call a meeting of Owners of those Lots in the Planned Community that Declarant determines, in the sole and absolute discretion of Declarant, will be affected by the variance, if granted. The meeting will be held at Declarant's principal office or at such other place designated by Declarant. Notice of the meeting shall be given to the applicable Owners at least ten (10) days in advance, at which meeting the Owners shall have opportunity to appear and express their views. The opinions and views of the Owners who attend the meeting shall be advisory only and shall not be binding upon Declarant.

b) Whether or not anyone appears at the meeting in support of or in opposition to the application for variance, Declarant shall within one (1) week after the meeting either grant or deny the variance.

c) A variance granted hereunder shall run with the Lot for which granted.

d) If a variance is denied another application for a variance for the same Lot for substantially the same variance may not be made for a period of one (1) year.

e) A variance shall not be granted unless Declarant shall find that all of the following conditions exist:

i. The variance will not authorize the operation of a use other than private, single-family residential use on a Residential Lot as permitted hereunder;

ii. The variance will not substantially or permanently injure the use of other property in the Planned Community;

iii. The variance will not alter the essential character of the Planned Community;

iv. The variance will not weaken the general purposes of these Covenants;

v. The variance will be in harmony with the spirit and purpose of these Covenants;

vi. The circumstances leading the applicant to seek a variance are unique to the Lot or its Owner and are not applicable generally to Lots in the Planned Community or their Owners.

Section 203. Declarant's Successors and Assigns.

a) Twenty years after Declarant first conveys a Lot in the Planned Community to a purchaser or at such earlier time as Declarant may choose, Declarant shall transfer all of its

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functions, rights and powers of granting or withholding approval, permission or consent and its other responsibilities, functions, rights, and powers under Articles I and II of these Covenants to an Architectural Control Committee of three (3) members. At least two member of the Architectural Control Committee shall be Owners of Lots. Prior to the time when Declarant is obligated to effect such transfer to an Architectural Control Committee, Declarant may transfer some, but not all, of its rights, powers and functions to an Architectural Control Committee.

b) After the Declarant has transferred its rights, powers and responsibilities pursuant to Section 203(a), any one or more members of the Architectural Control Committee may from time to time be removed and their successor or successors designated by the Association or if there is no Association, by an instrument signed and acknowledged by the Owners of at least 51% of the Lots in the Planned Community and filed for record with the County Clerk and Recorder of the County.

c) The Architectural Control Committee may delegate to one or more of its members any or all of the functions and powers of the Committee and until each delegation is revoked or modified the action of the member to whom such delegation is made shall constitute the action of the Committee for the purposes of these Covenants.

d) The Committee may take action without a meeting by a written statement signed by the members of the Committee or by their delegate.

e) Vacancies in the Architectural Control Committee may be filled by action of the remaining member or members of the Committee, subject always to the power of the Owners to remove and designate members of the Architectural Control Committee pursuant to Section 203(b).

f) Declarant, or its successor Architectural Control Committee, may, if it determines such action to be in the best interest of the Owners, cause the Architectural Control Committee for the subdivision to be merged with the Architectural Control Committees of other single-family residential subdivisions in the same general area that contain Lots of substantially similar size, character and values as Lots in the Planned Community. Such merger shall be accomplished by filing with the County Clerk and Recorder of the County a written document signed by Declarant, or by the Architectural Control Committee for each subdivision participating in such merger, acknowledging the action and appointing an Architectural Control Committee for the merged group.

Section 204. Officers and Agents Excused from Liability. Declarant, the officers and directors, members and agents of Declarant, and the members of the Architectural Control Committee shall not be liable to any party whatsoever for any act or omission unless the act or omission is in bad faith and amounts to fraud.

Section 205. Declarant, Architectural Control Committee and Association Can Remedy Violations. Until the time for establishment of the Architectural Control Committee as provided by Section 203(a) Declarant may, and after its establishment the Architectural Control Committee, the Association or Declarant, including an assignee or delegate, may give notice to the Owner of the Lot where a violation of these Covenants occurs or which is occupied by the persons causing or responsible for the violation, which notice shall state the nature of the violation, and the intent of the

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Committee, the Association or Declarant to invoke this Section unless within a period stated in the notice (not less than five (5) calendar days), the violation is cured and terminated or appropriate measures to cure and terminate are begun and are thereafter continuously prosecuted with diligence. If the violation is not cured and terminated as required by the notice, the Committee, the Association or Declarant (whichever gives the notice) may cause the violation to be cured and terminated at the expense of the Owner or Owners so notified, and entry on Owner's property as necessary for such purpose shall not be deemed a trespass. Each Owner of a Lot hereby grants a license to the Declarant, the Association and the Committee for the purpose of entering on a Lot to remedy violations or breaches of these Covenants. The cost so incurred by the Committee, the Association or Declarant shall be paid by the Lot Owner and the person responsible for the breach and if not paid within thirty (30) days after such Owner has been sent notice of the amount due, such amount, plus interest at the rate of eighteen per cent (18%) per annum and costs of collection, shall be a lien on the ownership interest in the Lot (including improvements thereon) and shall in all respects be the personal obligation of the Owner. The Committee, the Association or Declarant may bring an action at law for recovery of the costs so incurred by it, plus interest and Costs of Collection against the Owner, and may bring an action to foreclose the lien against the Lot and improvements subject to the lien and there shall be added to the amount of such obligation the Costs of Collection, and the judgment in any such action shall include interest as above provided and the Costs of Collection. The foregoing specified rights and remedies shall not limit the right of any Lot Owner to enforce these Covenants pursuant to Section 606 or as otherwise may be provided by law or equity; provided, however, that only the Declarant, the Association and/or the Committee shall have the right to proceed under this Section 205. In the event that the Declarant, the Association or Committee elect to exercise the right to enter upon a Lot to remedy a violation of these Covenants, they shall not be liable to the Owner of the Lot for any loss or damage occasioned by the entry on the Lot unless damage is caused to the Lot or improvements thereon that is unrelated to the remediation of the breach of the Covenants and is caused by the willful and wanton acts of the Declarant, the Association or Committee. In no event shall there be any liability for damage to a Structure that is in violation of these Covenants.

Section 206. Declarant's Rights to Complete Development of the Property. No provision of this Declaration shall be construed to prevent or limit Declarant's rights to complete the development of property within the boundaries of the Property or nearby areas and to subdivide, resubdivide, or rezone any portion of such property; to grant licenses, easements, reservations and rights-of-way; to construct or alter improvements on any property owned by Declarant within the Property; to maintain model homes, offices for construction, sales, management or leasing purposes or similar facilities on any property owned by Declarant or owned by the Association within the Property and to post signs incidental to development, construction, promotion, marketing, sales or leasing of property within the boundaries of the Property. Nothing contained in this Declaration shall limit the right of Declarant or require Declarant to obtain approvals to excavate, cut, fill or grade any property owned by Declarant; to make changes or modifications to these Covenants by means of an amendment to these Covenants or addition hereto; to change any landscaping, grading, drainage, vegetation, or view, or to construct, alter, demolish or replace any improvements on any property owned by Declarant, or to use any Structure on any property owned by Declarant as a

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construction, model home or real estate sales or leasing office in connection with the sale of any property within the boundaries of the Property, or to engage in any of the permitted activities described in Section 108 hereof, nor shall anything herein be deemed to require Declarant to seek or obtain the approval of the Architectural Control Committee or of the Association for any such activity or improvement to property by Declarant on any property owned by Declarant or by the Association. Nothing in this section shall limit or impair the reserved rights of Declarant as may be elsewhere provided in this Declaration. The maximum number of Lots to be created within the Property described on Exhibit A by Declarant is 28.

Section 207. Provisions Regarding Exercise of Declarant's Reserved Rights. Declarant may exercise the reserved rights of Declarant as to the Property as set forth herein. The exercise by Declarant of some of the reserved rights of Declarant hereunder shall not require Declarant to exercise any other of Declarant's reserved rights hereunder.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 301. Formation. The Association shall be formed on or before the date on which Declarant conveys the first Lot within Silver Ponds to an Owner. The Association shall be formed as a Colorado non-profit corporation. The liability of Owners for the payment of assessments shall accrue from the date of the formation of the Association.

Section 302. Membership; Voting. The following shall be members of the Association: The Declarant and every Owner of a Lot which is subject to assessment hereunder. Membership shall be appurtenant to and may not be separated from ownership of any Lot. Ownership of such Lot shall be the sole qualification for membership. Each Owner of a Lot, including Declarant, shall have one vote for each Lot owned. Any Owner that is an entity shall designate a person to act in its behalf to exercise all rights of a Member or Owner, including without limitation, the right to serve as a member of the Board of Directors of the Association or the Architectural Control Committee. The vote of each Owner of a Lot may not be split and each person or entity comprising the "Owner" of a Lot must agree between or among them how their one vote is to be cast on all voting matters.

Section 303. Reserved Rights of Declarant in Association Matters.

a) Subject to the provisions of subparagraph (b) and (c) of this Section, Declarant hereby reserves the right, which right may be exercised by Declarant or persons appointed by Declarant, to appoint and remove officers and members of the Board of the Association.

b) The reserved rights of Declarant pursuant to Section 303(a) shall terminate no later than the earliest to occur of (i) sixty (60) days after conveyance of seventy-five percent (75%) of the Lots to Owners other than Declarant, or (ii) two years after the last conveyance of a Lot by Declarant in the ordinary course of business.

c) Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Lots by Declarant to persons or entities other than Declarant, at least one member, but not less

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than twenty-five percent (25%) of the members of the Board must be elected by Owners other than Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Lots to persons or entities other than Declarant, not less than one-third (1/3) of the members of the Board must be elected by Owners other than the Declarant.

d) The Owners by a two-thirds (2/3) vote of all persons present and entitled to vote at a meeting of the Owners at which a quorum is present, may remove any member of the Board with or without cause other than a member appointed by the Declarant.

Section 304. Nonliability of Association and Others. The Board of Directors, the officers and committees of the Association and the Declarant, including without limitation, the officers, directors, employees, agents, and representatives of the Declarant, but not including its independent contractors or managing agents, shall not be liable in damages or otherwise to any person whatsoever for any act or omission done as an officer, director, agent or representative on behalf of the Association, except for willful misconduct done in bad faith or gross negligence and shall be indemnified from all such liability as provided in the Association's By-Laws.

Section 305. Management of Association: By-Laws, Rules and Regulations. The affairs of the Association shall be managed by its Board of Directors who shall be elected in accordance with the Articles and By-Laws of the Association, the provisions of which, as amended from time to time, shall be deemed a part of this Declaration. The Association shall have the authority to adopt and amend its By-Laws, but such By-Laws may not be in conflict with this Declaration. In the event of a conflict among the documents pertaining to the Association, the following priority shall apply: (i) the Declaration, (ii) the Association Articles of Incorporation and then (iii) the By-Laws. The Association shall also have the authority to adopt and amend rules and regulations pertaining to the use of the Common Areas, the Recreation Easement and the Road Easement (the "Rules and Regulations").

ARTICLE IV COVENANT FOR ASSESSMENTS

Section 401. Creation of the Obligation for Assessments. Each Owner, for each Lot owned by acceptance of a deed therefor, or interest therein, whether or not it shall be so expressed in such deed or instrument creating the interest in the Lot, shall be deemed to covenant and agree to pay to the Association, in the manner, amounts and times prescribed herein, all assessments, charges, fees, fines, and other sums which are described in these Covenants, which shall be both a personal obligation of the Owner and a lien against his Lot as provided herein. Each Owner (and such Owner's successors, assigns, heirs, devisees and personal representatives) shall be jointly and severally liable to the Association for the payment of all assessments, charges, fees and other sums attributable to them and/or their Lot. The personal obligation for delinquent assessments and sums shall not pass to an Owner's successors in title or interest unless expressly assumed by them. No Owner may waive or otherwise escape personal liability for the payment of the assessments, charges, fees and other sums provided for herein by nonuse of the Common Area or the facilities contained

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therein, by abandonment or leasing of his Lot, or by asserting any claims against the Association, the Declarant or any other person or entity.

Section 402. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners, including allocation to reserves, and for the improvement and maintenance of the Common Area, the Recreation Easement and the Road Easement, as more specifically provided herein.

Section 403. Annual Assessments. The annual assessment shall specifically include, but shall not be limited to the following common expenses:

- a) expenses of management;
- b) taxes and special assessments for the Common Area;
- c) premiums for all insurance which the Association maintains as required or permitted under these Covenants;
- d) common lighting, water and other common utility and sewer service charges;
- e) maintenance which is the responsibility of the Association as provided in

Article V;

- f) wages for Association employees;
- g) legal and accounting fees;
- h) any deficit remaining from a previous assessment year;
- i) a working capital fund;
- j) the creation of reasonable contingency reserves, surpluses and sinking funds;
- k) security services;
- l) assessments for operation of the Great Divide Water Company as set forth in that Contract between and among the Northgate Company, the Great Divide Water Company and Camp Properties (the "Northgate Contract"), recorded as an exhibit to the Water Decree recorded January 2, 1996 in Book 6801 Page 1171 of the El Paso County, Colorado real property records.

m) any other costs, expenses and fees which may be incurred or may reasonably be expected to be incurred by the Association for the benefit of the Owners under or by reason of these Covenants.

The Association shall also have authority, to the extent it deems proper, to provide any other services requested by particular Owners, but only on a contract basis under which those Owners pay the cost thereof. The Association may enter into cooperative arrangements for provision of services with other homeowner associations in the surrounding area and may assume responsibility for that part of the cost fairly attributable to the Planned Community.

Section 404. Fixing Assessments. For the calendar year 1996, the annual assessment shall be \$315.00 per Residential Lot and \$945 per Commercial Lot which assessments shall commence upon such date as a Lot has had a Structure constructed thereon. Each year thereafter the Association's Board of Directors shall fix the annual assessment at an amount deemed sufficient to meet the needs of the Association. The rate of assessment for Commercial Lots shall be three times the rate of assessment for Residential Lots. If a Residential Lot is created in Lot 1 pursuant to the

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reserved rights of Declarant in these Covenants, then the assessment for the Residential Lot so created shall be prorated between the commercial and residential assessment rate for the year in which the conversion from Commercial Lot to Residential Lot occurs.

Section 405. Special Assessments. In addition to the annual assessment authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of an emergency situation or of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto. Such special assessment may include an assessment for construction of a well in the Laramie-Fox Hills aquifer on the Property. If such a well is required to be constructed pursuant to the Water Decree recorded January 2, 1996 in Book 6801 Page 1171 of the El Paso County, Colorado real property records, failure to construct that well and replace post-pumping depletions may result in an order of the Division Engineer's office to curtail or eliminate pumping of the wells on all of the Lots.

Section 406. Procedure for Assessment Under Section 405. Any assessment under Section 405 shall be made pursuant to the procedures for special assessments set forth in the Bylaws of the Association.

Section 407. Rate of Assessment. Except as provided herein, both annual and special assessments shall be fixed at a uniform rate for all Lots sufficient to meet the expected needs of the Association. The rate of assessment for the Commercial Lots shall be three times the rate of Assessment for the Residential Lots.

Section 408. Assessment Procedure.

a) Annual Assessments. No later than ninety (90) days before the beginning of each annual assessment period, the Board of Directors of the Association shall prepare a proposed budget for the Association for the purpose of setting the total annual assessment based upon the cash requirements needed by it to provide for the administration and performance of its duties during the following assessment year. At least sixty days prior to the commencement of the assessment year, the Board shall mail, by ordinary first class mail, or otherwise deliver a summary of the budget to all Lot Owners and shall set a date for a meeting of the Lot Owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing or other delivery of the summary. Unless at that meeting a majority of the Owners entitled to vote reject the budget, the budget shall be deemed ratified, whether or not a quorum is present. In the event that the proposed budget is rejected, the periodic budget last ratified by the Owners must be continued until such time as the Owners ratify a subsequent budget proposed by the Board. The annual assessment shall be payable either (i) in one annual installment or (ii) in monthly installments (the "monthly assessment") on the first day of each successive month, as the Board directs. The Association shall cause to be prepared, delivered or mailed to each Owner, at least thirty (30) days in advance of each annual assessment period, a payment statement setting forth the annual and monthly assessment, as applicable.

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b) Special Assessments and Other Sums. Special assessments and other sums imposed hereunder shall be due and payable on the date and in the manner specified by the Board in written notice to each Owner, but such date shall not be less than thirty (30) days after such notice is sent.

c) Special Assessments Due to Acts of Owner. In the event that the Association incurs any expense or liability as a result of the willful, negligent or wrongful act of an Owner, his family, tenants or guests, or any breach by any of such parties of any of the provisions of these Covenants, the Association's By-Laws or the Association's Rules and Regulations, and the same is not paid for by insurance, the cost thereof shall be deemed to be a special assessment against such Owner and his Lot and shall be enforceable as provided herein. Any other sum imposed by the Board as provided hereunder shall also be deemed a special assessment. Any special assessment imposed under this subparagraph shall be only against the Owner and the Lot of the Owner responsible for the assessment.

d) Notice. Failure of the Board to give timely notice of any assessment as provided herein shall not affect the liability of the Owner of his Lot for such assessment, but if notice is not given, the date when payments shall be due shall be deferred to a date thirty (30) days after such notice given.

Section 409. Certificate of Payment. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance. For calendar year 1996, the charge for issuing the certificate shall be \$25.00. The rate for future years shall be as established from time to time by the Association.

Section 410. Effect of Nonpayment of Assessments-Remedies of the Association.

a) General. Any assessments which are not paid when due shall be delinquent. If any assessment is not paid when due, the Association may impose a late charge/administrative fee for each delinquent assessment. The amount of the late charge shall be as set forth in the Bylaws of the Association, or if no such amount is stated, the later charge shall be the greater of (i) ten percent (10%) of the amount of the delinquent assessment or (ii) fifty dollars (\$50.00). Any assessment not paid within thirty (30) days after the due date thereof shall also bear interest from the due date at the rate of eighteen percent (18%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, and/or foreclose the lien against such Owner's Lot, and/or may suspend the delinquent Owner's right to vote and the right to use the Common Area, but not the Road Easement. In the event a judgment is obtained, such judgment shall include interest and late charges on the assessment as above provided and the Costs of Collection.

b) Lien. Any unpaid assessment, charge, fee or other sums assessed against an Owner or his Lot, including without limitation with interest thereon at the rate of eighteen percent (18%) per annum, late charges and Costs of Collection, shall be a charge on the interest of the Owner in that Lot and shall be a continuing lien, in favor of the Association, upon the Lot against which each such assessment, charge, fee or other sum is made. All payments on account shall be first applied to interest, late charges, Costs of Collection, and then to the assessment payment first due.

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The Board may, but shall not be required to, Record a statement of lien with respect to the Lot. The Board may proceed to foreclose the lien in the manner as provided for in the Act. Foreclosure or attempted foreclosure by the Association of its lien shall not be deemed to estop or otherwise preclude the Association from suing the Owner personally liable therefor or from thereafter again foreclosing or attempting to foreclose its lien for any subsequent assessments, charges, fees or other sums, which are not fully paid when due.

c) Authority. Each Owner, by his acceptance of a deed to a Lot, hereby expressly vests in the Association or its agents, the right and power to bring all actions against such Owner personally for the collection of such charges as a debt and to enforce the aforesaid lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage lien on real property, and such Owner hereby expressly grants to the Association a power of sale in connection with said lien. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other Lot Owners. The Association, acting on behalf of the Lot Owners shall have the power to bid at foreclosure sale and to acquire and hold, lease, mortgage and convey the same, if acquired by the Association at the foreclosure sale or by deed in lieu of foreclosure.

Section 411. Working Capital. The Association may require an Owner who purchases a Lot from Declarant to pay to the Association an amount equal to not more than the amount of one fourth of the annual assessment, which sum shall be held by the Association as and for working capital. Such sums shall not be refundable to such Owner. If the Association decides that such sums are not required for working capital, such sums may be placed in the general revenues. Furthermore, such sum shall not relieve an Owner from making the regular payment of assessments as the same become due.

Section 412. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any bona fide First Mortgage of record provided, however, that the assessment lien shall have priority over a First Mortgage in an amount equal to the common expense assessments based on the budget adopted by the Association pursuant to these Covenants which would have become due, in the absence of any acceleration, during the six months immediately preceding the institution of the action to enforce the assessment lien, but in no event shall the priority of the assessment lien exceed one hundred fifty percent (150%) of the average monthly assessment during the immediately preceding assessment year multiplied by six. Sale or transfer of any Lot shall not affect the lien for said assessment charges except that transfer of title of any Lot pursuant to foreclosure of any such First Mortgage or any proceeding in lieu thereof, including deed in lieu of foreclosure, shall extinguish the lien of assessment charges which became due prior to any such transfer, or foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure, subject to the limited priority granted to the assessment liens as described in this Section. No such transfer, foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure shall relieve any Lot from liability for any assessment charges thereafter becoming due, nor for the lien thereof.

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Section 413. Notice to Mortgagees and Inspection of Books. Upon written request, a First Mortgagee shall be entitled to written notification from the Association of any default in the performance by the Owner of any obligation under these Covenants and/or the By-Laws of the Association, which is not cured within sixty (60) days, after the Board of Directors has actual knowledge thereof, and the First Mortgagee may, at its option but without any obligation, cure such default. The Association shall grant to each First Mortgagee the right to examine the books and records of the Association at any reasonable time.

Section 414. Homestead. The lien of the Association assessments shall be superior to any homestead or other exemption as is now or may hereafter be provided by Colorado or Federal law. The acceptance of a deed to a Lot subject to these Covenants shall constitute a waiver of the homestead exemption as against said assessment lien.

Section 415. Exempt Property. The following Property subject to these Covenants shall be exempt from the assessments created herein: (a) all Property dedicated to and accepted by local public authority; and (b) the Common Area other than the Road Easement.

ARTICLE V MAINTENANCE

Section 501. Association Maintenance. Except as otherwise provided in these Covenants, the Association, or its duly designated agent, shall maintain all Common Areas and the improvements and landscaping located thereon in good order and repair and shall otherwise manage and operate all Common Areas so that Silver Ponds displays a pride of ownership. In this regard, the Association shall have the following specific duties and obligations:

a) construct and maintain road improvements within the Road Easement which shall permit reasonable access to the Lots. The Declarant shall initially construct the roads within the Road Easement. Such maintenance shall include periodic grading and snow removal on the Road Easement when reasonably necessary;

b) maintain and manage Tracts A and B, including the ponds which constitute a portion of the Common Area, including such dam maintenance and the establishment and management of an augmentation water plan as may be required by applicable governmental authorities;

c) acquisition and maintenance of liability insurance for all of the Common Areas for the benefit of the Association in a minimum combined single limits amount of \$1,000,000.00;

d) the installation and maintenance of all signs which Declarant, or if applicable, the Association deems advisable for the safety or well-being of the Owners or which are required by an applicable governmental authority; and

e) to perform the duties and obligations identified in the Water Decree. The Water Decree was recorded January 2, 1996 in Book 6801 Page 1171 of the El Paso County, Colorado real property records. The Applicant in the Water Decree hereby assigns and the

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Association hereby assumes the obligations of the Association as set forth in paragraphs 26 and 27 of the Water Decree recorded January 2, 1996 in Book 6801 Page 1171 of the El Paso County, Colorado real property records.

The Association shall also be responsible for the repair, replacement, improvement and maintenance of all Common Areas not described above as well as all improvements thereon. The Association shall not be obligated to maintain the utility easements created on the Lots, and the Owner of the Lot affected shall be responsible for the maintenance of the utility easement on the Lot of the Owner; provided that to the extent that any utility easements are located in the Road Easement, Tracts A or B, or within any sign or landscaping easements created by Declarant for the benefit of the planned community, the maintenance of the utility easement shall be the responsibility of the Association. The Association shall have the power, but not the obligation, to conduct maintenance within the Recreation Easement as necessary or advisable in connection with the maintenance of Tracts A and B.

ARTICLE VI GENERAL PROVISIONS FOR EFFECT OF THE COVENANTS

Section 601. Definitions. The following words and expressions as used in these Covenants have the meaning indicated below unless the context clearly requires another meaning:

a) Accessory Building: Includes patios, corrals, sheds, stables, swimming pools, dressing rooms for swimming pools, separate guest house without kitchen, separate servants' quarters without kitchen and other buildings customarily used in connection with the single-family residence as to the Residential Lots and in connection with commercial buildings for the Commercial Lots.

b) Act: The Colorado Common Interest Ownership Act, C.R.S. §38-33.3-101 et seq as amended from time to time.

c) Agencies: "Agencies" shall mean and collectively refer to the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), the Federal Housing Administration of the Department of Housing and Urban Development ("FHA"), the Veterans Administration ("VA"), the Colorado Housing Finance Authority ("CHFA") or any other public, quasi-public or private agency or entity which performs (or may in the future perform) functions similar to those currently performed by the entities specifically listed herein.

d) Association: The Silver Ponds Property Owner's Association, a Colorado nonprofit corporation formed in accordance with its Articles of Incorporation and Bylaws and its successors and assigns. Association shall also mean and include any association with which the Association merges.

e) Common Area: All real property owned by the Association, including improvements thereto, as well as any easements owned by the Association for the common use and enjoyment of the members of the Association (including but not limited to the Road Easement and any sign easements created by Declarant pursuant to Section 111 of these Covenants), as well as any other property which the Association agrees to maintain for the common good of the Planned

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Community and the Owners, or which the County requires the Association to maintain. Without limiting the generality of the foregoing, Common Area shall include (i) the Road Easement, (ii) Tracts A and B as shown on the Plat and (iii) any sign or landscaping easements created by Declarant for the benefit of the Planned Community. Tracts A and B shall be conveyed by the Declarant to the Association. The Recreation Easement is not intended to be included as a part of the defined term "Common Area." but the Association shall have such rights with respect to the Recreation Easement as are set forth in these Covenants.

f) Planned Community or Community: Shall mean the Property as described in Exhibit A hereto. Declarant may at any time withdraw portions of the Property for which no plat has been recorded from the Planned Community.

g) Cost of Collections: All expenses and charges incurred in any litigation, arbitration or other proceedings, including court costs, deposition fees, paralegal fees and attorney's fees.

h) County: Shall mean the County of El Paso, State of Colorado.

i) Covenants: This Declaration and the provisions contained in it.

j) Declarant: Silver Ponds Corporation, a Colorado corporation as well as the successors and assigns of Declarant, whether by assignment by Declarant or merger of Declarant with another entity. Declarant shall have the right to transfer all or any part of its reserved rights hereunder to another Person, in which event, Declarant shall refer to such transferee or assignee as to the rights transferred.

k) Declarant's principal office: The principal office maintained by Declarant in El Paso County, Colorado, and if there is not such office, then Declarant's registered office for service of process, and if there is none then the location at which service of process could be made according to the laws and rules governing civil actions in District Courts in Colorado.

l) Development Plan: Shall mean any Development Plan approved by the County and pertaining to the Property.

m) First Mortgage: "First Mortgage" shall mean and refer to any unpaid and outstanding mortgage, deed of trust or other security instrument recorded in the records of the office of the Clerk and Recorder of the County pertaining to a Lot and having priority of record over all other recorded liens except those governmental liens made superior by statute (such as general ad valorem tax liens and special assessments), and which was recorded before the date on which the assessment lien to be enforced became delinquent.

n) First Mortgagee: "First Mortgagee" shall mean and refer to any person or entity named as a mortgagee or beneficiary under any deed of trust.

o) Lot: Each area designated as a Lot on the Plat of the Planned Community or parts thereof. Lot does not include those portions of the Property, as depicted in the Development Plan or otherwise, for which a plat has not been recorded to create a Lot.

p) Lot Lines: Front, side and rear Lot lines shall be the same as defined in the zoning regulations of the County in effect from time to time. In the absence of such a definition a front Lot line is each boundary line between the Lot and the Road Easement; a side Lot line is any boundary line which meets and forms an angle with the front Lot line. Other Lot lines are rear Lot lines.

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q) Owner: The Person having fee simple legal title to a Lot. If more than one person has such title, all such persons are referred to collectively as "Owner" and shall exercise their rights as an Owner through such one of them as they may designate from time to time.

r) Person. "Person" shall include natural persons, corporations, trusts, limited liability companies, partnerships (including general and limited partnerships and limited liability general or limited partnerships) and any other entity capable of holding title to real property.

s) Plat. Means the plat of Silver Ponds recorded in the real property records of the County, as the same may be amended from time to time.

t) Property. "Property" shall mean and refer to the real property described in Exhibit A hereto.

u) Record or Recordation. Means recordation in the real property records of the Clerk and Recorder of the County.

v) Residential Lot. Lots 2-24, inclusive, are Residential Lots. Subject to the provisions of Sections 138 and 139 of these Covenants, Lots 1 and 25 are not Residential Lots and may be referred to herein as the "Commercial Lots." If Lot 1 is converted to residential use, then it shall thereafter be a Residential Lot.

w) Structure: Any thing or device, other than trees and landscaping, the placement of which upon any portion of the Property might affect its architectural appearance, including by way of illustration and not limitation, any dwelling, residence, building, commercial building, garage, porch, shed, greenhouse, driveway, walk, patio, deck, swimming pool, tennis court, fence, wall, sign or outdoor lighting. Structure shall also mean an excavation or fill the volume of which exceeds five (5) cubic yards or any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the natural flow of surface waters upon or across any Lot or which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel upon or across any Lot.

x) Water Decree: The Findings of Fact, Conclusions of Law, Judgment and Decree entered by the District Court, Water Division No. 2, Colorado in Case Nos. 94CW68, 94CW69 and 94CW75 concerning the application for water rights of Camp Properties, The Northgate Company and Great Divide Water Company, in El Paso County, Colorado recorded January 2, 1996 in Book 6801 Page 1171 of the El Paso County, Colorado real property records.

Section 602. Captions. Captions, titles and headings in these Covenants are for convenience only and do not expand or limit the meaning of the Section and shall not be taken into account in construing the Section.

Section 603. Covenants Run with the Land. These Covenants shall run with the land and shall inure to and be binding on each Lot and upon each person or entity hereafter acquiring ownership or any right, title and interest in any Lot in the Planned Community.

Section 604. Covenants are Cumulative. Each of these Covenants is cumulative and independent and is to be construed without reference to any other provisions dealing with the same subject matter or imposing similar or dissimilar restrictions. A provision shall be fully enforceable although it may prohibit an act or omission sanctioned or permitted by another provision.

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Section 605. These Covenants May Not be Waived. Except as these Covenants may be amended or terminated in the manner hereinafter set forth, they may not be waived, modified or terminated and a failure to enforce shall not constitute a waiver or impair the effectiveness or enforceability of these Covenants. Every person bound by these Covenants is deemed to recognize and agree that it is not the intent of these Covenants to require constant, harsh or literal enforcement of them as a requisite of their continuing vitality and that leniency or neglect in their enforcement shall not in any way invalidate these Covenants or any part of them, nor operate as an impediment to their subsequent enforcement and each such person agrees not to defend against enforcement of these Covenants on the grounds of waiver, laches or estoppel.

Section 606. Right to Enforce the Covenants. These Covenants are for the benefit of the Owners jointly and severally, the Association, the Architectural Control Committee and Declarant, and may be enforced by an action for damages, suit for injunction, mandatory and prohibitive, and other relief, and by any other appropriate legal remedy, instituted by one or more Owners, Declarant, the Architectural Control Committee, the Association or any combination of them. All Costs of Collection incurred by Declarant, an Owner, the Association or the Architectural Control Committee in connection with any successful enforcement proceeding initiated by Declarant, an Owner, the Association or the Architectural Control Committee (alone or in combination with Owners) shall be paid by the party determined to have violated the Covenants. Whenever a right is given to the Declarant to do certain things in these Covenants, it shall be the right, but not the obligation, of the Declarant to do such things.

Section 607. Duration of Restrictions. These Covenants shall remain in force until twenty years after the date of the Recordation of these Covenants, and shall be automatically renewed for successive periods of ten (10) years, unless before the expiration of the initial twenty (20) years or before the end of any ten-year extension, there is filed for Record an instrument stating that extension is not desired, signed and acknowledged by the Owners of at least two thirds (2/3) of the Lots in the Planned Community, in which event these Covenants shall terminate as of the end of the initial twenty year term or ten year extension, as applicable; provided that any termination of these Covenants shall be conditioned upon (i) the Owners providing mutual easements for ingress, egress and utilities over the Road Easement, (ii) the Owners making satisfactory arrangements for the administration of the Water Decree recorded January 2, 1996 in Book 6801 Page 1171 of the El Paso County, Colorado real property records with all parties to the Water Decree and (iii) the Owners making satisfactory arrangements for the maintenance of the Common Areas.

Section 608. Amendment.

a) **Amendment by Owners.** From time to time any Section of these Covenants may be amended or new Sections may be added to these Covenants by an instrument signed and acknowledged by the Owners of a majority of the Lots in the Planned Community and filed for Record.

b) **Agency Amendments.** Notwithstanding anything to the contrary contained in this Declaration, if Declarant shall determine that any amendments to this Declaration or any amendments to the Articles of Incorporation or Bylaws of the Association shall be necessary in order

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for existing or future mortgages, deeds of trust or other security instruments to be acceptable to any of the Agencies, then, subject to the following sentence of this section, Declarant shall have and hereby specifically reserves the right and power to make and execute any such amendments without first obtaining the approval of any Owners or First Mortgagees. Each such amendment of this Declaration or of the Articles of Incorporation or Bylaws shall be made, if at all, by Declarant prior to the conveyance of the last Lot within the Property owned by Declarant to the first Owner other than Declarant.

c) Required Consent of Declarant to Amendment. Notwithstanding any other provision in this Declaration to the contrary, any proposed amendment or repeal of any provision of this Declaration shall not be effective unless Declarant has given its written consent to such amendment or repeal, which consent may be evidenced by the execution by Declarant of any certificate of amendment or repeal. The foregoing requirement for consent of Declarant to any amendment or repeal shall terminate at such time as the last Lot within the Property has been conveyed by Declarant to the first Owner other than Declarant.

Section 609. Property Rights Remain. Section 110 concerns property rights which can be changed only by conveyances, releases or other appropriate legal instruments executed by those to whom such property rights belong.

Section 610. Severability. If any Section or Sections of these Covenants shall be held invalid or become unenforceable, the other Sections of these Covenants shall in no way be affected or impaired but shall remain in full force and effect.

Section 611. Action in Writing. Notices, approval, consents, extensions, applications and other action provided for or contemplated by these Covenants shall be in writing and shall be signed on behalf of the party who originates the notice, approval, consent, applications or other action. Permission, consent or approval of Declarant, the Association or the Architectural Control Committee under these Covenants is not effective unless in writing.

Section 612. Notices. Any writing described in Section 611, including but not limited to any communication from Declarant, the Association or the Architectural Control Committee to an Owner, shall be sufficiently served if delivered by mail or otherwise: a) to the dwelling or building situate on the Lot owned by that Owner; or b) if there is no dwelling or building, then to the address furnished by the Owner to Declarant, the Association or the Architectural Control Committee and if the Owner has not furnished an address, then to the most recent address of which Declarant, the Association or the Architectural Control Committee has a record.

Section 613. Interpretation of Covenants. These Covenants are intended to be interpreted in a manner that will provide for the preservation of the values and amenities of the Planned Community. In the event that it is necessary to interpret the meaning of any word, paragraph, term or provision of these Covenants, the determination of the Declarant shall be final and conclusive. In interpreting the architectural and building standards set forth in these Covenants, it is acknowledged that the Declarant may be required to exercise its discretion concerning the

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architectural and building standards and control within the Planned Community. The fact that Declarant has exercised Declarant's discretion with respect to one Lot or property in the Planned Community is not a guarantee that Declarant's discretion will be exercised in the same manner with respect to other Lots or properties in the Planned Community. It shall be presumed that the Declarant has at all times exercised the discretion of the Declarant in a reasonable manner. Certain of the matters concerning architectural and building standards as are set forth in these Covenants are intended as guidelines, and the fact that an Owner believes that the Owner has complied with the guidelines shall not guarantee that the Declarant will approve such matter. The determination of the Declarant as to whether the architectural and building standards set forth in these Covenants have been met shall be final and conclusive. In the event that any person or entity brings an action or proceeding challenging any action or interpretation of the Declarant under these Covenants, then it shall be the burden of the person or entity challenging the actions or interpretation of the Declarant to establish beyond a reasonable doubt that the Declarant has acted in a manner that is arbitrary and capricious.

In the event that the powers of the Declarant are transferred to an Architectural Control Committee in accordance with the provisions of Section 203(a) of these Covenants, then the provisions of this Section shall be applicable to the Architectural Control Committee to the same extent as this section provides for the Declarant.

Section 614. FHA/VA Approval. Until the termination of Declarant's reserved rights under this Declaration, and provided further that the FHA or the VA is insuring or guaranteeing or has agreed to insure or guarantee loans in any portion of the Property with respect to initial sales of Lots by Declarant, the following actions shall require the prior review of the FHA or the VA, in accordance with the procedure set forth herein: (a) dedication of any of the Common Areas; or (b) annexation of any additional real property to the Property; or (c) material amendments of the Articles of Incorporation or the Bylaws of the Association.

Section 615. Colorado Common Interest Ownership Act. Declarant intends that this Declaration and the Planned Community be fully in compliance with the provisions of the Act. In the event that any provision of this Declaration is found to be in violation or is otherwise not in compliance with the Act, then reference shall be made to the Act to determine the rights of the parties as to such provision of this Declaration that violates or is not in compliance with the Act and the other provisions of this Declaration that are in compliance with the Act shall continue in full force and effect.

Section 616. Enumerations Inclusive: A designation which describes parcels or other things as from one number, letter or other designation to another includes both such numbers, letters or other designations and all in between.

Section 617. Gender and Number: Whenever the context permits, Owner or Owners shall be deemed to refer equally to persons of both sexes and to entities, singular to include plural and plural to include singular.

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IN WITNESS WHEREOF, Silver Ponds Corporation and Camp Properties have executed these Covenants this 19 day of June, 1996.

ATTEST:

SILVER PONDS CORPORATION,
a Colorado Corporation

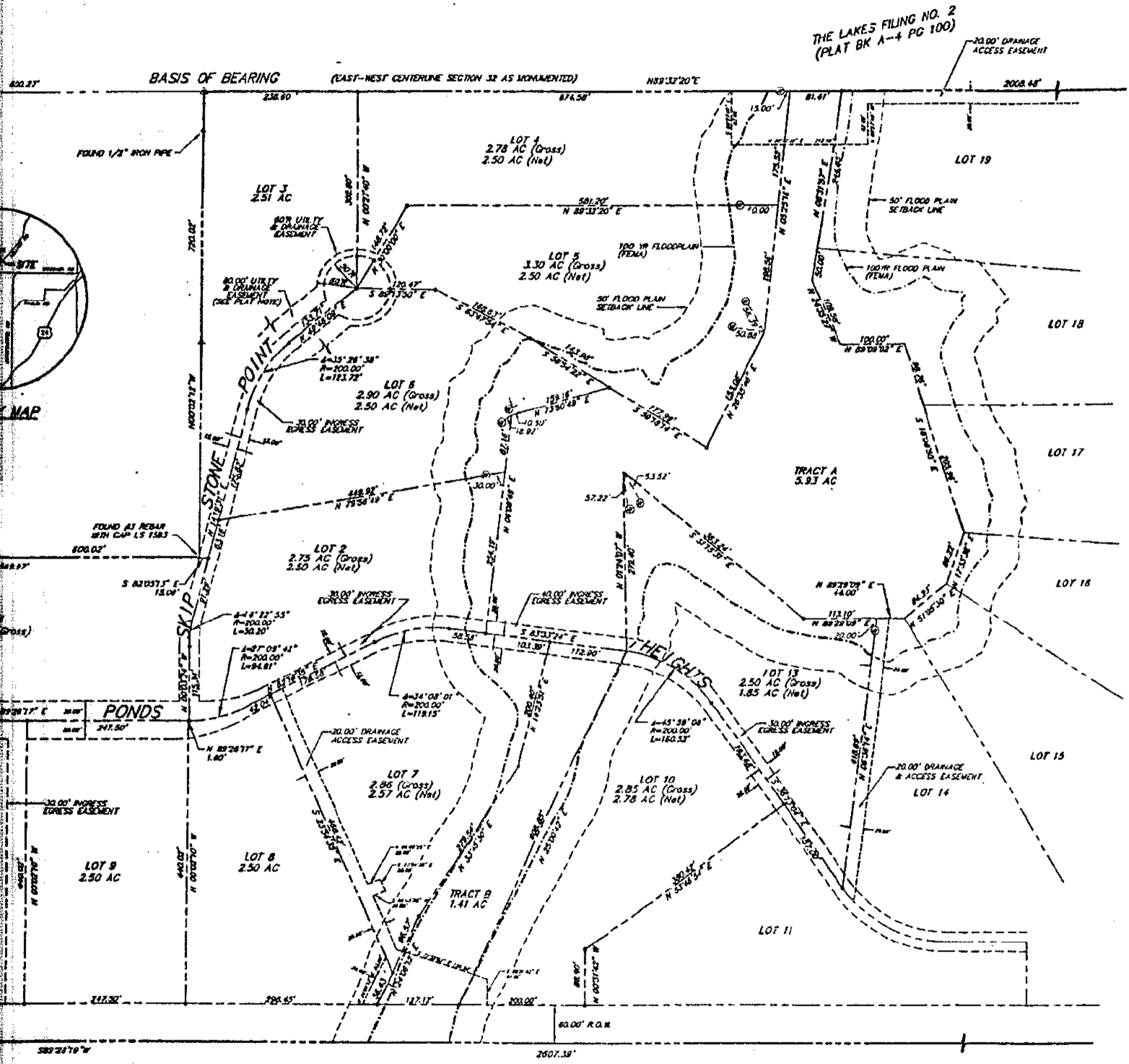
By: Melvin H. Shale
Its: Secretary/Treasurer

By: _____
Its: _____

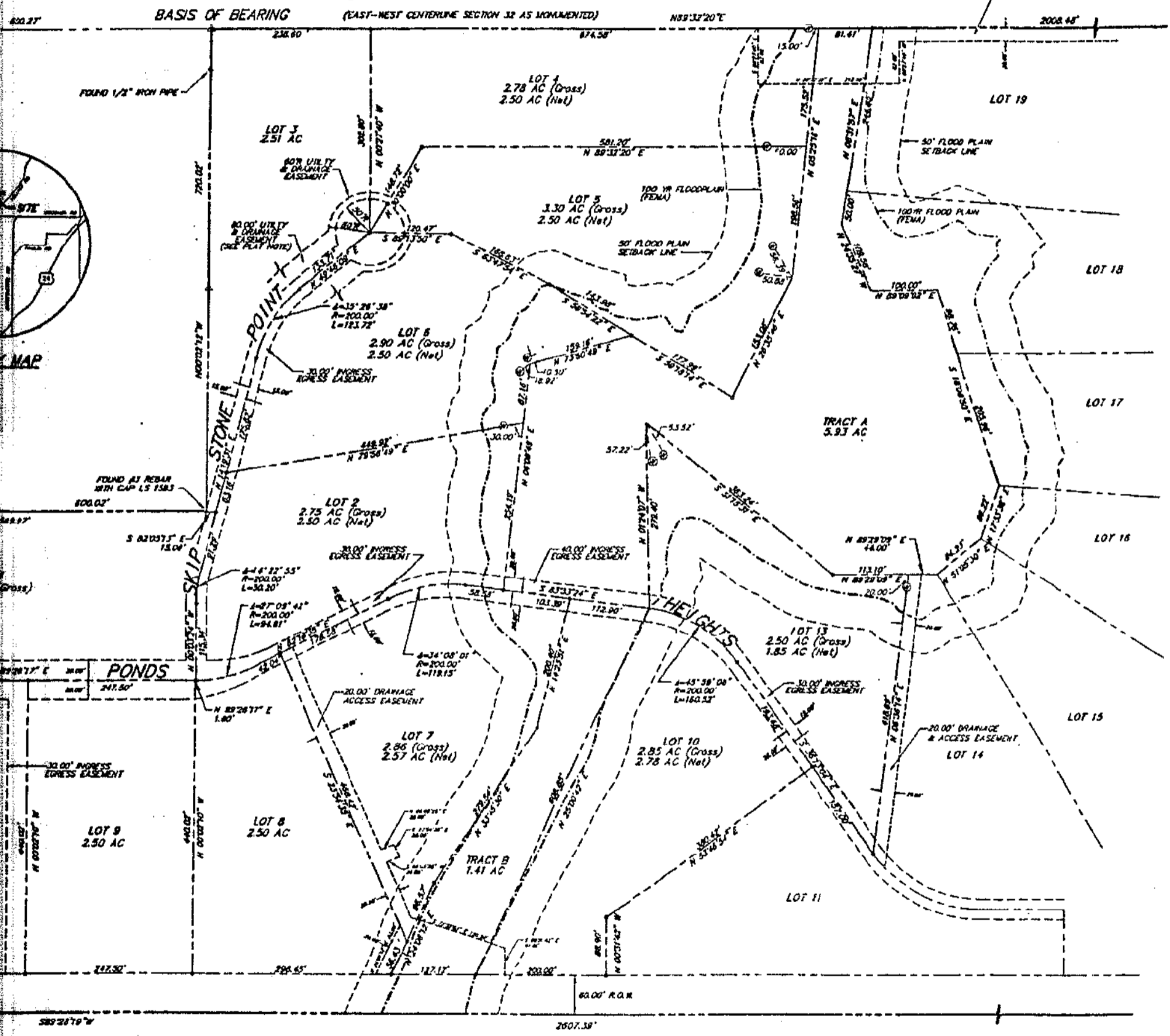
CAMP PROPERTIES,
a general partnership

By: Jon D. Campbell
Jon D. Campbell,
General Partner

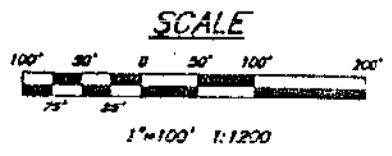
SILVER PONDS SUBDIVISION FILING NO. 1
 A PORTION OF SECTION 32,
 T12S, R65W, OF THE 6TH P.M.
 COUNTY OF EL PASO, STATE OF COLORADO



THE LAKES FILING NO. 2
 (PLAT BK A-4 PG 100)



MONUMENT AS NOTED
 WITH CAP LS 9853
 WITH CAP LS 17865
 MARK WITH WITNESS CORNER?



SHEET 2 OF 3 DISK NO. 1508

MONUMENT VALLEY ENGINEERS INC.
 ENGINEERS & SURVEYORS
 1811 DELAWARE ST., COLORADO SPRINGS, COLORADO 80904
 (719) 533-8728

SILVER PONDS SUBDIVISION FILING NO. 1

SCALE 1" = 100'	DRAWN BY A.B.	DWG. NO. 80572003
DATE 8-12-98	CHECKED BY	JOB NO. 80572